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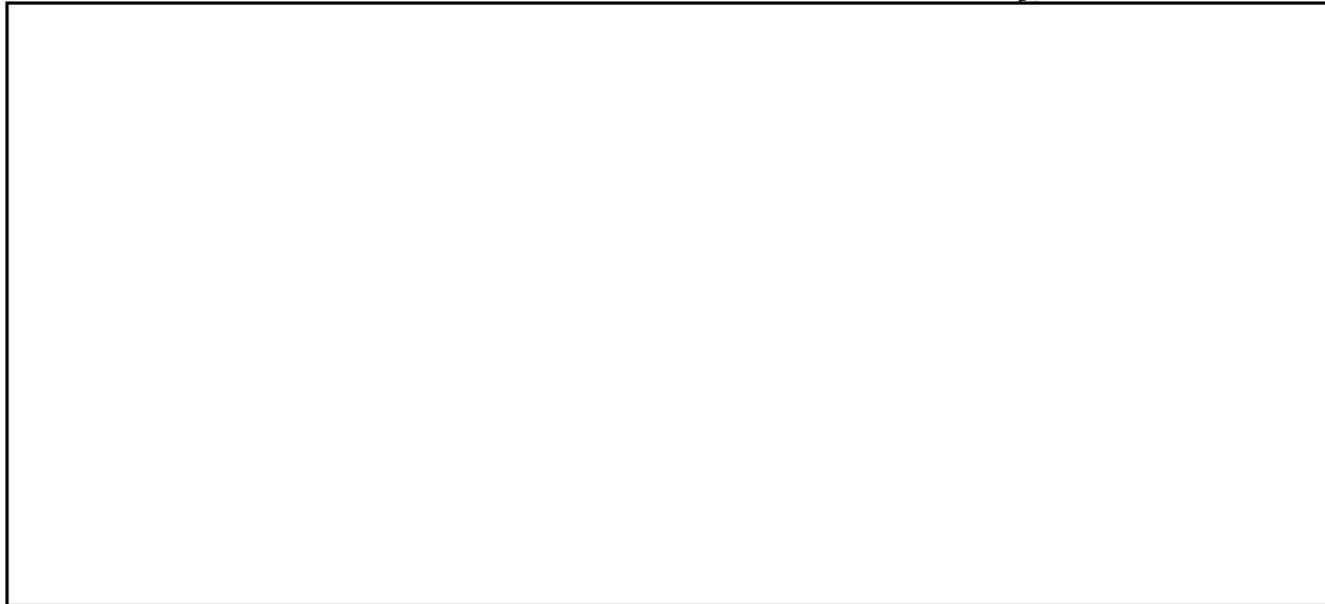
Mr. Kermit Gordon
Director, Bureau of the Budget
Washington 25, D. C. 20503

Dear Mr. Gordon:

This letter is in reply to your letter of August 3, 1963 concerning the Balance of Payments. In your letter you noted the progress the Agency has made thus far, both in reducing foreign dollar expenditures and in improving the accuracy of our data, and at the same time you expressed the belief that even further dollar outflow savings could be realized and suggested several specific actions to this end.

I have delayed responding to your letter pending preparation and study of the Agency's regular quarterly submission on international transactions required by your Circular No. A-58. This quarterly report has just been completed and is attached as Tab A. It was my feeling that the experience gained in going through this complex exercise one more time would contribute further to our understanding of this difficult problem, and that the resulting data would insure that our reply to your letter was based on the most current information available.

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We will welcome the assistance of your staff in reviewing the Agency's overseas staffing requirements during the 1965 Budget review process. The Agency's overseas strength has been relatively stable over the past several years. We have accommodated a stepped up effort in Latin America and Africa and against Cuba by significant personnel reductions in Europe, the Far East and the Near East. In light of the Agency responsibilities for intelligence collection and covert action programs, I cannot foresee any real diminution in our overseas staffing requirements if we are to fulfill our assigned role in supporting U. S. national policies and objectives.

In conclusion, the Director and I fully support the President's policies on the balance of payments problem and recognize the importance of reducing the dollar outflow. This subject is repeatedly brought to the attention of all my senior officials.

Faithfully yours,

Marshall S. Carter
Lieutenant General, USA
Deputy Director

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| TRANSMITTAL SLIP | | DATE |
| | | 9 Oct. 1963 |
| TO: | | |
| Executive Director <i>DIC</i> | | |
| ROOM NO. | BUILDING | |
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| REMARKS: | | |
| <i>9/11/63</i> | | |
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| FROM: | | |
| Comptroller | | |
| ROOM NO. | BUILDING | EXTENSION |
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FORM NO. 241
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REPLACES FORM 36-8
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5. As you will recall, in Mr. Gordon's letter there was, in essence, a threat to withhold a part of our Fiscal Year 1964 apportionment on the grounds that the Bureau has "shown" us how to reduce overseas expenditures and, therefore, our over-all budgetary requirements can be reduced by an equivalent amount. We feel this is unacceptable and have included language to that effect in the proposed letter.



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Acting Comptroller

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BUREAU OF THE BUDGET

WASHINGTON 25, D. C.

Executive Registry
63-6235

AUG 3 1963

Lt. Gen. Marshall S. Carter
 Deputy Director of Central Intelligence
 Central Intelligence Agency
 Washington 25, D. C.

Dear General Carter:

As evidenced by his special message of July 18 on Balance of Payments, the President continues to attach the highest significance to actions taken by each department and agency to reduce dollar expenditures abroad. I note from the CIA's June 15 report on international transactions and your letter forwarding this report, that the Agency has made some progress in reducing its foreign dollar expenditures, as well as in improving the accuracy of the data submitted to the Bureau.

We have recently completed reviews of the Agency report and of the data submitted on overseas offices and personnel under Bulletin 63-13. We conclude that, while recognizing the progress made by the Agency during the past year, further dollar outflow savings by CIA are possible without significant impairment of the contribution which the Agency's overseas program makes to U.S. national objectives and interests.

Attached to this letter is a list of suggested actions prepared by my staff which cover both reductions affecting overseas offices and personnel and program activities. Some of these actions were discussed in our session on the 1965 Budget Preview and normally would come up again during the fall review of the FY 1965 estimates. However, given the President's policies on this matter, I feel it imperative to move ahead with decisions on these and other items which would achieve savings in dollar outflow. I am, therefore, submitting this list for your consideration and propose that equivalent dollar adjustments be made in the apportionment of the Agency's FY 1964 funds.

In addition, it is the Bureau's view that many of your overseas stations are manned at a level which can no longer be justified in the light of the urgent national requirement to minimize dollar expenditures abroad. During the 1965 Budget review my staff will examine carefully all overseas positions. Meanwhile it is hoped you will take action to reduce these establishments at the earliest opportunity.

Sincerely,



Director

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